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Will Xbox 360 Replace Your Cable Box—Or Will a TV Replace Your Xbox?

Microsoft just announced plans to incorporate cable TV in the Xbox 360, an early step in game consoles' attempt to replace our set-top boxes. But TVs themselves are starting to do everything, threatening to do away with all connected boxes. What's going on? Nothing but good things for us, PM contributor Mark Wilson argues.

By Mark Wilson

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Microsoft

December 7, 2011 3:00 PM

TEXT SIZE: A . A . A

A TV used to simply display images. A game console used to just play games. But we're reaching a point—a critical intersection of low-cost processors and streaming digital media—that is transforming the home theater into something more than a collection of discrete components, each doing a specific job: a collection of discrete components that each do every single job.

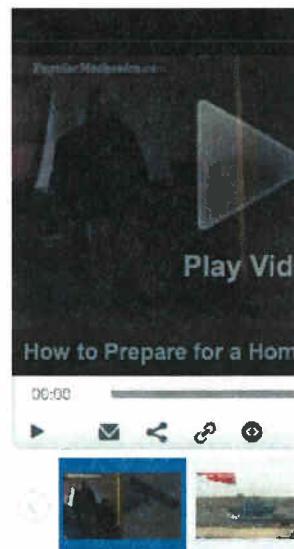
The typical Blu-ray player isn't limited to playing discs. It connects to a home network, upcales standard definition content to HD, and streams Netflix. So does the contemporary smart TV, or any game console on the market. In the near future, simply, everything will do everything.

I used to find this premise annoying. Why would I need my TV to stream Hulu if my PS3 can already handle the job? But now, I'm starting to see the light. We're entering a time of incredible competition in a very insecure industry. The Xbox could take over the DirecTV box. The TV could take over the Xbox.

Once upon a time, we upgraded our home entertainment systems piece by piece. But in a



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world where every component does almost everything, upgrading one piece carries the potential to upgrade your entire home entertainment rig. And it's all thanks to two really big developments.

Every Component Will Stream All Media

Netflix and Hulu are standards on new home theater equipment, not luxuries as they were just a year or two ago. But what's the next step?

One, clearly, is the unification of TV and gaming. Microsoft, with its [latest Xbox 360 update](#), just made a major move in this direction by announcing that the console would incorporate Verizon FiOS, Comcast's Xfinity, and HBO, adding these three to the 360's existing partnership with ESPN.

It's a baby step. Verizon FiOS, for instance, will carry only 26 channels on the Xbox 360, and Comcast and HBO will offer on-demand content only. ESPN's integration is impressive if you are a college football fan, but its general scope still misses the most popular pro sports. Microsoft's first big partnerships definitely look better on paper than they will in practice. However, these are the first stages of true set top box competition.

And Microsoft isn't alone in this quest. Mike Abary, head of Sony Home Entertainment of America, told me last week that he thinks consumers are tired of the slow-moving innovation and general limitations of set-top providers like Comcast and DirecTV. He made it no secret that Sony was interested in (and most likely pursuing) Internet-streaming cable packages and similar solutions for the U.S.

This could mean that Sony would like to see the PS3 provide real-time entertainment that competes with cable. It also means that one day a Sony TV could do the same thing—no cable box required.

Every Component Will Offer Video Games—And Not Just Lousy Ones

If the latest trick in the console market is for systems like the Xbox 360 and PS3 to become your cable box, are they set to dominate? Not necessarily.

Televisions, with no extra boxes attached, are already becoming app-heavy; we've seen this with Skype and Netflix. And if TVs become app havens, then they could come to dominate the casual gaming market that's been so successful on iOS and Facebook (see Farmville and Birds, Angry). The much-rumored AppleTV will bundle iPhone apps inside the television set itself. GoogleTV's strategy is not much different, meaning every other TV manufacturer could incorporate Android games.

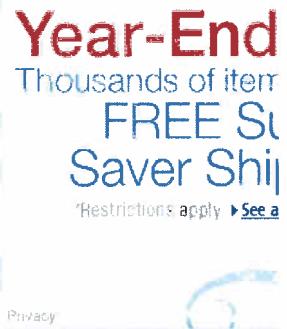
Still, that leaves the serious gaming market to consoles. But here, there's a total wild card that's not getting much press, which could challenge console dominance. Vizio, the most popular LCD HDTV manufacturer in the U.S., has signed a deal to incorporate OnLive streaming games into its TVs. OnLive isn't some casual gaming system that can't appeal to gamers looking for deep, involving experiences. Rather, the service renders the most technically advanced games in the cloud at high resolutions, then streams them as pre-rendered video. It's not so different from YouTube clips, other than the fact that you can play them in real time.

Right now, it'll cost you \$200 or more to buy a high-end console. But OnLive can render games that look better than current-generation consoles (and has no cap on how good it could become) freely through a TV. Vizio announced this partnership about a year ago, and declined to comment further on when we could expect OnLive-capable devices to come out.

Suddenly, Microsoft and Sony must innovate even harder—or go the path of OnLive and integrate their gaming across platforms.

Every Component Will Offer a Competitive Experience

In a home theater where everything can do everything, upgrading any one component will give you the latest and greatest of everything, and every brand will want to be the brand you choose to do that everything. Companies will become incredibly competitive, and thereby innovative, to grab your attention with more diverse content, new interfaces, and cross-platform connectivity. And even if



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most of the stuff out there totally sucks, most of it is sure to get cheaper as desperate manufacturers attempt to differentiate themselves with the bottom line.

The future of electronics isn't hardware. It's content. Whoever can bring the best content together cheaply—and then get out of the way—will win.

TAGS: hulu, tvs, cable, home entertainment, video games, home theater, tv, consoles, Netflix, xbox 360, microsoft, xbox

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**Lynn Vander Meer** · Top Commenter · Berkley, Michigan

Just when you think electronics can't possibly become even more amazing, they do.....

[Reply](#) · [Like](#) · December 10, 2011 at 10:17am**David Abraham** · Top Commenter · Temple University

If you try Airplay Mirroring with iPad and Apple TV there will be a perceptible lag even on the same WiFi network...Onlive will never be able to overcome this.

<http://www.youtube.com/watch?v=c5bAGbgbSc>[Reply](#) · [Like](#) · December 7, 2011 at 6:41pm**Charlay Wong** · Missionary at Chuck Norris Institute of Manliness and Ass-Kickery

david you'd be pretty suprised at what onlive is capable of

[Reply](#) · [Like](#) · December 7, 2011 at 9:36pm**Michael Gregor** · LM waste of U

Agreed with Charlay...

Though Onlive needs a huge customer base to truly succeed and it is not clear that anyone can scale an a solution like this successfully...

We have 2 OnLives, 3 controllers, and know that Perlman and his team might just be the team to do it...

[Reply](#) · [Like](#) · December 8, 2011 at 9:09am

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